

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Person To Contact:

Telephone Number:

Refer Reply To:

CC:PSI:B03

PLR-117280-16

Date:

June 20, 2016

LEGEND

X =

Trust =

Re:

Dear :

This letter hereby revokes the conclusion of Ruling 1 of PLR-140408-13, dated February 24, 2014, which was previously issued by this office to X.

In Ruling 1 of PLR-140408-13, the Internal Revenue Service concluded that during the period Distribution Committee members are serving, no portion of the items of income, deductions and credits against tax of the Trust will be included in computing the taxable income, deductions and credits of X under § 671 or any Distribution Committee member under § 678(a).

Since issuing this letter ruling, the Service has determined that Ruling 1 of PLR-140408-13 is not in accord with the current views of the Service. After reconsideration, we have concluded that the provision in Trust that provides that in the event that both the children are no longer serving as members of the Distribution Committee or if there are fewer than two serving members, the trust property will be distributed to the grantor and the trust shall terminate constitutes a reversionary interest under § 673. Section 673(a) provides in general that the grantor shall be treated as the owner of any portion of a trust in which he has a reversionary interest in either the corpus or the income therefrom, if, as of the inception of that portion of the trust, the

value of such interest exceeds 5% of the value of such portion. Under § 673(c), the value of the reversion must be calculated assuming the maximum exercise of discretion in the grantor's favor, which under these facts would be the immediate resignation of all the Distribution Committee members immediately after trust funding, causing the reversionary interest to be worth 100% and causing X to be treated as the owner of the entire trust for purposes of § 671.

Accordingly, Ruling 1 of PLR-140408-13 is revoked. You may request a conference to discuss this matter further.

In accordance with the power of attorney on file with this office, we are sending a copy of this letter ruling to your authorized representative.

Sincerely,

Bradford R. Poston
Senior Counsel, Branch 3
Office of Associate Chief Counsel
(Passthroughs and Special Industries)

Enclosures (2)
Copy of this letter
Copy of this letter for section 6110 purposes